NOTES TO THE 4th INTERIM FINANCIAL REPORT – 31 DECEMBER 2008

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard (FRS) 134 'Interim Financial Reporting' issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2007.

2 Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007 except for the adoption of the following FRSs, Amendment to FRS and Interpretations effective for the financial period beginning 1 January 2008:

Amendment to FRS 121	:	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
FRS 107	:	Cash Flow Statements
FRS 111	:	Construction Contracts
FRS 112	:	Income Taxes
FRS 118	:	Revenue
FRS 120	:	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	:	Interim Financial Reporting
FRS 137	:	Provisions, Contingent Liabilities and Contingent Assets
IC Interpretation 1	:	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	:	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	:	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	:	Liabilities arising from participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	:	Applying the Restatement Approach under FRS 129_{2004} – Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	:	Scope of FRS 2

The adoption of the above FRSs, Amendment to FRS and Interpretations have no significant impact on the financial statements of the Group and the Company.

FRS 139 Financial Instruments: Recognition and Measurement has been deferred and has not been adopted by the Group.

3. **Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the year ended 31 December 2007 was not qualified.

4. **Seasonal or Cyclical Factors**

There were no significant seasonal or cyclical factors affecting the business operations of the Group.

5. **Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income or cashflow because of their nature, size or incidence at the end of the financial year 2008, except as stated below:

		RM'000
a	Provision for impairment loss and write-off	57,020
b	Loss in exchange in US Dollar borrowings	20,250
		77,270

6. **Changes in Estimates**

There were no changes in estimates that have had a material effect in the current quarter.

7. **Issuance and Repayment of Debt and Equity Securities**

There were no issuance and repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter.

8. **Dividend Paid**

The amount of dividend paid or declared during the financial period ended 31 December 2008 were as follows:

	Net Amount Jan/Dec 2008 RM'000	**Net Dividend Per Share Jan/Dec 2008 Sen**
2007, Final 10 sen tax exempt and 10 sen less 26% tax per share paid on 28.05.2008	13,050	17.4
2008, Interim 8 sen less 26% tax per share paid on 28 October 2008	4,440	5.9

9. **Segmental Reporting**

The Company and its principal subsidiaries operate principally within one industry. The segmental reporting by geographical locations for the current financial year-to-date was as follows :-

Geographical Location	Total Assets Employed RM'000	Revenue RM'000	Pre-Tax Profit RM'000
Malaysia	841,927	2,360,199	18,093
Indonesia	438,731	387,795	7,132
Others	62,326	-	(49,913)
	1,342,984	2,747,994	(24,688)
Consolidation adjustments related to intra group transactions	(274,089)	(471,627)	-
	1,068,895	2,276,367	(24,688)

10. **Property, Plant and Equipment**

The land and buildings have been revalued in December 2008, giving total revaluation surplus of RM3.41 million.

11. **Events Subsequent to Balance Sheet Date**

There were no material events subsequent to balance sheet date up to 16 February 2009, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report except for the following:

a. As announced to Bursa Malaysia on 18 February, 2009, the President Director of PT Koba Tin has been remanded by the local police on 16 February 2009 to assist in the investigation of an allegation of breach of clause 50, para (a) and (g) of the Forestry Law No: 41 /1999, which prohibits a person from working in, making use of or occupying a forest area without permission and also makes it an offence for any general investigation or exploration or exploitation of mining material in a forest area without the permission of the Minister. The alleged offence is said to have been committed by the fact that PT Koba Tin's Merapin dredge was occupying and allegedly mining in a protected forest area.

   The dredge in question operated on eastern side of PT Koba Tin's Contract of Work (CoW) area in Lubuk Besar, Bangka from 1985 and had ceased operation in October 2002 due to exhaustion of reserves. It had since been kept under care and maintenance basis with the approval of the Directorate General of Energy and Mineral Resources. MSC acquired the 75% shareholding in PT Koba Tin and took over the management from Iluka Resources Limited in 2002. Further, the Minister of Forestry only issued the declaration on 1 October 2004, regarding designation of forest areas covering about 657,510 hectares in the Province of Bangka Belitung, which included part of the CoW area. By this time, PT Koba Tin's dredge has ceased operations for almost two years.

To-date the matter is still under the Public Prosecutors' consideration and no charge has been made or proffered on PT Koba Tin and/or PT Koba Tin's President Director. The Management of PT Koba Tin will continue to cooperate with the Indonesian authorities on this matter and is confident that the case will be resolved. There have been no disruptions to PT Koba Tin's operations.

b. Together with its 40% partner, Tenaga Anugerah Sdn Bhd, the Company has entered into a number of agreements to facilitate the restructuring of its 60% subsidiary, PT Tenaga Anugerah (PT TA). With the signing of these Agreements which concluded on the date of this announcement, the ultimate shareholding structure of PT TA held via Diversified Minerals Private Limited, a company incorporated in Singapore is as follows:

MSC	: 40%
Tenaga Anugerah Sdn. Bhd	: 30%
PT Sarana Marindo	: 30%.

The main aim of the restructuring is to allow for the participation by the local firm, PT Sarana Marindo (PT SM), who has strong local management and experienced personnel.

For its 30% interest, among others PT SM will inject into PT TA its newly built cutter suction dredge and an offshore drill barge as well as a mining concession located in Tg Penyusuk, Kabupaten Bangka Induk, Indonesia with measured tin resources of 1,115 tonnes.

12. Changes in the Composition of the Group

There was no change in the composition of the Group for the 4th quarter 2008 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

13 Changes in Contingent Liabilities and Contingent Assets

At 16 February 2009, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report, there were no material changes in contingent liabilities or contingent assets since 31 December 2007.

14. Capital Commitments

The amount of capital commitments at 31 December 2008 was as follows :

	31.12.2008 RM'000
Approved but not contracted	18,848
Contracted but not provided for	4,730
	23,578

15 **Related Party Transactions**

The following are significant related party transactions :

	12 months ended 31.12.2008 RM'000
Management fee paid/ payable to related companies	7,254
Sales of products to an associate	56,644

The above transactions have been entered in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

16. **Taxation**

Taxation comprises the following :

	12 months ended 31.12.2008 RM'000
Current taxation	
Malaysian income tax	6,323
Foreign tax	13,004
Deferred tax	(1,540)
Underprovided in prior year	1,061
Total	18,848

The overall effective tax rate for the current year was higher than the statutory tax rate in Malaysia mainly due to certain expenses not being tax deductible, losses incurred by the Company and certain foreign subsidiaries not being available for tax relief against the Group profit and under provision of taxation in prior year.

17. **Sale of Unquoted Investment and/or Property**

There was no sale of unquoted investment and/or property for the 4th quarter 2008.

18. **Purchase and Sale of Quoted Securities**

There was no purchase or sale of quoted securities in the 4th quarter 2008.

19. **Status of Corporate Proposal**

There was no corporate proposal announced but not completed as at 16 February 2009, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report, except for the following:-

a. On 29 October 2007, the Company announced that it had entered into a Joint Venture Contract with Guangxi Guilin Jinwei Realty Co Ltd and Vertex Metals Incorporation to establish a joint venture company named Guilin Hinwei Tin Co. Ltd, for smelting and refining of tin, and the production and sale of tin and tin-based products in the People's Republic of China. The transaction is expected to be completed by 31 March 2009.

b. On 17 April 2008, the Company announced that it had entered into a Framework Agreement with Philco Resources Limited, LG International Corp and Korea Resources Corporation pertaining to the Company's proposed investment for a 30% interest in the Rapu Rapu Copper, Zinc, Gold and Silver Project in Philippines, at an estimated cost of approximately USD18.9 million. The transaction is expected to be completed by 31 March 2009.

c. On 23 September 2008, the Company announced that its public shareholding spread of 22.67% is not in compliance with the requirement as stipulated in paragraph 8.15(1) of Bursa Malaysia Listing Requirements, pursuant to a substantial shareholder notice received from Siong Lim Private Limited on 18 September 2008. Bursa Malaysia has granted an extension of time of six (6) months from 23 September 2008 to 22 March 2009 for the Company to comply with the public shareholding spread requirement pursuant to paragraph 8.15(1) of Bursa Malaysia Listing Requirements.

d. On 8 August 2008, the Company ("MSC") made the following announcements :-
   i. Proposed bonus issue of 75,000,000 new ordinary shares of RM1.00 each in MSC ("bonus shares") to be credited as fully paid-up on the basis of one (1) bonus share for every one (1) existing ordinary share of RM1.00 each in MSC ("MSC share") held by the entitled shareholders on an entitlement date to be determined and announced later;

   ii. Proposed renounceable rights issue of 225,000,000 new ordinary shares of RM1.00 each in MSC ("rights shares") on the basis of three (3) rights shares for every two (2) MSC shares held after the proposed bonus issue; and

   iii. Proposed increase in the authorised share capital of MSC. This was completed in December 2008.

   In view of the current uncertain market condition, the Company has decided to extend the timeframe to submit the application to the authorities for the proposed bonus and rights issues.

20. Group Borrowings and Debts Securities

Group borrowings as at 31 December 2008 comprise the following :

	31.12.2008 RM'000
a) Short Term Borrowings (unsecured)	
Foreign currency trade finance	263,010
Revolving credits	104,427
Bankers' acceptances	114,564
	482,001
Current portion of term loans	21,246
	503,247

	31.12.2008 RM'000
b) Long Term Borrowing (unsecured)	
Term loans	102,275

Amount denominated in foreign currency	**'000**
Foreign currency trade finance (US dollar)	75,675
Revolving credit (US dollar)	24,292
Term loans (US dollar)	32,951

Foreign currency trade finance is utilized for working capital requirements involving purchases and sales of tin concentrates and tin metal denominated in US dollar.

Short term borrowings bear interest at rates ranging from 2.25% to 6.25% (2007:3.70% to 7.80%) per annum.

The term loans bear interest at rates of between 0.85% to 1% above banks' cost of funds and are repayable by quarterly and semi-annual instalments.

21. Off Balance Sheet Financial Instrument

As at 16 February 2009, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report, the Group had the following outstanding forward foreign currency hedging contracts in respect of the Group's sales and purchases of tin :-

Currency	Contract Amount Million	Equiv. Amount RM'000	
US Dollar	3.4	12,181	Different maturity dates up to March 2009
Indonesian Rupiah	82,840	26,414	Different maturity dates up to March 2010

22. **Material Litigation**

Since the Company's last announcement on 6 November 2008 relating to the 3rd Quarter 2008 Interim Financial Report, there was no new development on the outstanding material litigations at 16 February 2009, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

23. **Material Change in the Quarterly Results as Compared with the Preceding Quarter**

Group incurred a pre-tax loss of RM80.28 million in 4th quarter 2008 compared with a pre-tax profit RM22.04 million recorded in the preceding quarter. Excluding the unusual items stated in Note 5, the Group's pre-tax loss was substantially lower at RM3.01 million due to lower sales and significant fall in tin and base metal prices.

24. **Review of Performance of the Company and its Principal Subsidiaries**

Group revenue for financial year 2008 of RM2.28 billion exceeded the forecast revenue of RM2.00 billion made in the beginning of the year and 19.4% higher than the revenue of RM1.91 billion for the financial year 2007.

Although Group revenue was higher, the Group incurred a pre-tax loss of RM24.69 million for the financial year 2008 compared to a pre-tax profit of RM120.99 million in 2007 mainly due to reasons stated in Note 23 above.

The performance of the Group in the fourth quarter of 2008 was adversely affected by the sharp deterioration of the metals market and the fall in tin and base metal prices as a result of the severe global economic and financial crises. In the light of the current uncertain market environment, the Group has made an impairment charge and write-offs totalling RM 57 million as unusual items in respect of some of its mining assets and its exploration and development expenses. The strengthening of the US Dollar also had an adverse impact on its US dollars borrowings resulting in a translation loss of RM20 million. The Indonesian tin operations particularly at PT Koba Tin was also adversely affected by the suspension of the small scale mining operations and the clamp-down by the Authorities on independent smelters' activities and export. Development and turn-around expenses written down by the Group's associate in Australia further affected the Group's overall results for the year.

Excluding the unusual items and exchange loss, the overall operations of the Group during 2008 were still profitable.

No item, transaction or event of a material and unusual nature has arisen which would affect substantially the results of the operations of the Group from the end of the financial year of 2008 to the date of this announcement.

25. **Current Year Prospects**

Whilst the Group is optimistic on the long term prospects of the metals and commodities market, the short and medium term market environments remain highly uncertain. The Group's efforts are currently focussing on cost rationalisation and reduction, as well as looking into various alternatives to reduce its overall gearing. Non-critical exploration and development projects have either been suspended or deferred whilst loss-making operating units have been closed down.

The closure and deferment of many other development projects and marginal or loss-making operating mines around the world by the mining industry as a result of falling metal prices would mean that metals supplies are being and will be sharply reduced paving the way for a return to market stability and improved prices in the longer term.

26. **Variance of Actual Profit from Forecast Profit (Final Quarter Only)**

Not applicable.

27. **Basic Earnings/ (Loss) Per Share**

	12 months ended 31.12.2008
Net loss attributable to equity holders of the parent (RM)	(44,037,000)
Number of ordinary shares in issue	75,000,000
Net loss per share (sen)	(58.7)

28 **Dividend Payable**

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2008 (2007: Final dividend of 10 sen per ordinary share tax exempt and 10 sen per ordinary share less 26% tax).

By Order of the Board
Sharifah Faridah Abd Rasheed
Secretary

Kuala Lumpur
23 February 2009